Speech by H.E. Dr. A.Y. Helmi (Indonesia)
delivered in plenary session on 10 November 1954

At the outset of our discussions on the Review and possible revision of the General Agreement I should like to make some observations which outline the position of my country's delegation to this Session with respect to the present item of the agenda.

The remarks I wish to offer are twofold, namely some on the performance and achievements of the GATT since it came to life in 1947; and the second group will try to indicate how much should be changed to really make the General Agreement more attractive to a country like mine; it should be clear that no change at all in the present text could be the only preferable alternative for us of a draft revision that would appear to be too optimistically based on the assumption that a free and unplanned inflow of goods from abroad could be of much help, if any, to raise the standard of living of a community in the early stage of development. It need not be stressed that the economic structure of countries like mine is highly sensitive, vulnerable, still unbalanced and undiversified.

We cannot conceal our strong feeling - resulting from our experience over some years' participation in various kinds of international conferences - that in many of those conferences it seems to be hardly feasible to make the complexity of problems of the so-called economically underdeveloped countries understood by the developed ones. GATT, in this respect, struggles with an extra difficulty, as it was conceived when several of its present sovereign contracting parties were still treated as dependent territories whose domestic economic structure was guided and directed from outside. "Metropolitan territory" is not only a technical term in the text of GATT, but in its conception it is too much incorporated in its very philosophy and structure. And, although it certainly is a good thing to have an international economic meeting-place where political questions are out of discussion, this economic paradise-like conclave will show a tendency to assume too much of granted smoothness as an aspect of what our Agreement's text calls "transitional periods". Transition, as a matter of fact, Mr. Chairman, unfortunately suggests too much of continuity - a continuity which hardly fits in the picture of changed and changing patterns of economic intercourse which result from changes in political relationships. In the light of this philosophy, Mr. Chairman, my remarks with respect to our evaluation of the GATT should be seen.

We concur with other delegates in paying tribute in the first place to the effectiveness of the organizational performance of our secretariat and we feel that very little, if any, structural change is required. It is certainly not because of shortcomings on that body's side if GATT has not yet been able to achieve a greater part of its aims and objectives.
Also in our view GATT's main achievement has been the contribution to a stabilization of tariff levels. This achievement should certainly not be regarded as final, but our starting basis for the future has been maintained along rather systematic lines during the past seven years. We know where to start when attempting to work towards a real levelling of tariff ratios.

It is easy to conclude from my preceding remarks that we consider our annual exchange of thoughts, approaches to domestic economic problems, solutions nationally applied to overcome balance-of-payments' and development difficulties and other highly important economic issues as one of the most valuable features of GATT. Only this mutual preparedness to try to understand that different stages of economic development require different approaches and solutions may, after years, achieve an economic world integration which could lead to the establishment of some quasi-supranational body provided with appropriate facilities to centrally supervise the pattern of exchange of goods on a worldwide scale and according to multilaterally agreed precise rules and regulations.

For the time being, however, we do not feel that in the aggregate GATT should be made more rigid. This does not mean that we are completely satisfied with all features of the present GATT. We are fully convinced, for instance, that a clearer distinction should be made between economically "developed" and "underdeveloped" countries as far as recourse to escape provisions is concerned. I will come back to this a little later. Neither are we convinced of the desirability of continuing much longer the existing system of preferential tariffs. I know, Mr. Chairman, that this is a rather important point to many of our colleagues. Nevertheless, I wish to draw the attention of the meeting to the problem as such. We should realize that preferential systems, as they have been "legalized" under the present GATT, have a certain basis of political coherence which eo ipso precludes countries outside the specific group from the preferential benefits. And, when again we approach the problem from the point of view of underdeveloped countries there are underdeveloped countries inside as well as outside the large groups. The latter have to face great practical troubles when trying to develop their direct exchange of goods with countries inside the groups. It should be realized also that free convertibility of currencies might seem a solution to countries with a diversified economic structure, but it does not offer much of a way out to countries with a still underdeveloped economic structure whose export earnings are too much dependent on commodities subject to most serious price fluctuations.

Coming to this point of commodity trade, it is repeatedly felt that the provision of Article XXIX, which links GATT with the draft Havana Charter, too tightly binds international commodity conferences held under the auspices of United Nations to a specific line of procedures and conditions. Various commodities are largely different in character and in several cases require different common treatment and approach when the establishment of an international commodity agreement is considered. It might sometimes even be highly desirable to furthering development and preventing waste of resources and investments, to consider the establishment of a commodity agreement between producers only. Not that we think this the best of solutions, but the method might be urgently
needed for as the second best solution. Therefore, the binding to the fifty-fifty participation rules of the draft Havana Charter should be loosened in the interest of economic development and maintenance of resources. Now that the Economic and Social Council has agreed to the establishment of the Permanent Advisory Commission on International Commodity Trade, those matters could safely be trusted to the findings and judgement of that body and ECOSOC. My Government attaches great value to the existence of the new Commission and we are of the opinion that other bodies should interfere as little as possible with the work of that Commission in order not to cause delay in their arriving at results which are so eagerly expected especially by less developed countries.

A big issue to us is the scope of Article XVIII. The present text allows for escapes as well to developed as to underdeveloped countries. It does not distinguish at all between economic structures as an aggregate, but looks at separate industries as such. But, Mr. Chairman, that is not the problem that has to be faced by countries attempting to bring the standard of living of their people a little closer to the level considered nowadays as a human average. They have to tackle the problem as an aggregate one and have to take commensurate measures in the field of integrated planning of their development and the well-ordered financing of it from their foreign currency earnings. Even with ensured domestic productivity of export commodities, the mere fact of rather steep price fluctuations which usually affect primary commodities, already calls for managed foreign currency expenditure and appropriate restriction of imports of less essential goods. Furthermore, the lack of social overhead capital which usually no private entrepreneur will undertake to establish unless guaranteed and backed by the Government, absolutely requires governmental interference with regard to foreign currency earnings and expenditure over a period of several years to come. Transfer of payments within this scope is an item which should be completely left to the careful discretion of the Government of such an economically underdeveloped country, open only to consultations with contracting parties who might wish to be enlightened on the merits of the measures already taken by the Government concerned. Previous consultations could be a source of dangerous speculations which readily afflict the already very vulnerable trade position of any underdeveloped country. It should be borne in mind, Mr. Chairman, that such measures on the longer range can only be of mutual benefit to both underdeveloped and developed countries. Therefore, developed countries should at least grant the benefit of the doubt to underdeveloped countries establishing such measures for a sufficient number of years. I must stress in this connexion that measures on balance-of-payments difficulties such as envisaged in the newly suggested draft of Article XVIII are by far not sufficient to cover in the aggregate the problems faced by an underdeveloped country's Government. We therefore must insist on the maintenance of the provisions of the present Articles XII until XIV inclusive.

We digress a little into this subject because in GATT Sessions we mostly hear references being made to the work of OEEC. However, OEEC covers only the economic problems of one regional part of the world. There are regions of quite different structure and consequently with difficulties of sufficiently different character. I should like to call the attention of all our fellow
delegates, who wish to enlighten themselves somewhat more with regard to the problems of Asia's newly independent countries, to the elaborate publications of the Economic Commission for Asia and the Far East. They then certainly should not limit themselves to a look at the statistical tables, but carefully examine the contexts in the annual Economic Survey of Asia and the Far East. It was at ECAFE's Bandung Session in February 1953 that my country's delegation stressed the importance of export trade to planned economic development of countries in the South East Asian region. Now South East Asian countries are not yet able to establish through ECAFE an institute for multilateral trade and compensations like OECS and EPU, because of their economies not yet being complementary. So they must retain a considerable freedom of implementing their development financing and one of the ways and means which can play a useful rôle with a view to supply of necessary goods and equipment are the bilateral trade agreements, carried out whenever necessary on a basis of mutual compensation. We certainly could not yet do away with those instruments of payments by export production.

There is another observation I wish to make with regard to the envisaged scope in the circulated draft for a new Article XVIII. This new draft only provides for deviations into the field of protective measures in case of promotion of "the establishment of particular industries in order to raise the standard of living". However, we think it essential that in addition to establishment, also reconstruction and maintenance be retained in any new text. Moreover it should be made quite clear that "industry" also covers agriculture and mining. The very general sense of "industry", which was mentioned at the outset of our general statements is in Indonesian language covered by a word quite different from the equivalent for "industry" in its pregnant meaning. So we would prefer the wording of the existing Article XVIII in this respect.

It goes without saying, Mr. Chairman, that a country like mine cannot be in favour of narrowing down the bearing of the Article on subsidies when under-developed countries are involved. We do accept the principle in cases of countries with a sufficiently diversified economy, but we cannot bind ourselves in our present stage of development to not being able to give full support at any time to any industry of employment interest when such support appears necessary. Repeatedly the problem of disguised unemployment in densely populated regions of economically insufficiently developed countries has been brought to the attention.

In an earlier part of my statement I already indicated our wish for non-interference with the work of other international bodies who have been given a special task. I should like to stress that our wish to avoid such duplications also pertains to the work of the International Monetary Fund. We should continue to mutually consult with the Fund, not to try to suggest modifications in its terms of reference outside the meetings of their Board of Directors.

Then there is the problem of the margin of preferences. I referred to the preferential systems as an aggregate problem earlier and I indicated the objections which structurally we cannot but feel against their existence.
Basing ourselves on this point of view we, of course, cannot be in favour of opening the opportunity to increase the now frozen margins, unless a system be found which would extend such preferences to like products of all under-developed countries, whether inside or outside the specific groupings. As we understand very well that this would be a scheme not so easy to work out because of the background of political coherence of each grouping, we limit ourselves with respect to the margin of preference to expressing ourselves against any possibility of increases. Very special cases of economic importance can always be discussed with contracting parties. Margins of preference do not affect - like balance-of-payments difficulties do - in the first place a country's own economic structure, but that of another or other countries. So we see a certain logic in previous discussions and consultations.

And if I may make a last remark on this crucial point, we wonder whether the trend of the French proposals for tariff reductions could not find a first and, in our opinion, very useful implementation on the margins of preference, so that they could gradually be eliminated in the course of a certain number of years.

In my opening remarks I already expressed our feeling with regard to the tariff concessions. As a mere consequence of that point of view I may add that we are in favour of consolidation for at least two or three years of the Geneva, Annecy and Torquay Schedules of tariff concessions.

Because of our great interest in commodity trade with a view to stable prices as a basis for economic development, like other delegates we are keenly interested in an orderly disposal of excessive stockpiles, be they strategic or of any other character. Perhaps this could give rise to a general rule which could find a place in a new GATT text and not be left to the commodity by commodity treatment of separate commodity agreements.

I think, Mr. Chairman, at a later stage we will have much more opportunity to digress on several points I have asked the meeting's attention for. We shall feel satisfied if they might contribute to arrive at a new Agreement which will form - however imperfect and transitional still - an improved instrument to fulfill a number of the aims and principles laid down when the Havana Charter was drafted.

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